

COMPARATIVE ANALYSIS OF PROBLEM AND PROSPECTS IN UTILIZING MICROFINANCE IN ASSAM

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ABSTRACT

Micro finance is central to the betterment of society worldwide. It helps to improve the livelihood of the rural population. Assam is a testament to the potential of microfinance. SHG-Bank linkage programme is encouraging and helping people assess microfinance. In spite of the numerous constructive aspects regarding the assess and utilization of microfinance, a few hitches have been brought to the forefront by this study. This study focuses on not only the favourable aspects of microfinance beneficiaries but also the predicaments faced by women microfinance beneficiaries of Assam Gramin Vikash Bank in the Brahmaputra Valley Zone of Assam. The Garrett Ranking technique is applied in the study. The study revealed that there is no or minimum monopolistic role by the bank, as is perceived by the microfinance beneficiaries.

KEYWORDS: Microfinance, SHG-Bank Linkage & Problems

Received: Jun 06, 2017; **Accepted:** Jun 22, 2017; **Published:** Jul 19, 2017; **Paper Id.:** IJASRAUG201744

INTRODUCTION

Micro financing has been globally acknowledged as a powerful tool to eradicate poverty. For poverty eradication and social unity, it is essential that the poor and vulnerable groups have easy access to finance. Therefore, all endeavours aiming at extensive inclusive growth consider microfinance as fundamental to the empowerment of these vulnerable populations. Financial inclusion incorporates the delivery of financial services at an affordable cost to the disadvantaged and low-income groups. The financial services usually considered include credit, savings, insurance and payments and remittance amenities. Financial inclusion primarily aims at including even the people with low incomes, and there by incorporating them as a part of the organized financial system. Providing the lower income groups with increasing credit would enable their upliftment, and thereby the eradication of poverty. Microfinance is a term used to refer to the collective banking practices of providing small loans and accepting tiny deposits. In India, the microfinance is predominantly taken care by the Self Help Groups (SHGs)-Bank Linkage Programme. This programme aspires to create cost-effective schemes that help the “unreached poor” to avail financial services. This programme is based on the philosophy of peer pressure and group savings as collateral substitute. On the basis of this philosophy, the SHG programme has been effective in meeting the peculiar needs of the rural poor; in addition, it has also consolidated the collective self-help faculties of the poor at the local level, thereby empowering them. Microfinance is meant to provide affordable financial services to the poor, especially to those lacking access to the prevailing formal financial institutions. Most micro financial institutions are rural-based or are located in poor urban localities. They mainly engage in providing small loans to the low income groups, thereby enabling them to engage in their usual activities, as well as ensuring that

the poor are served and the wealthy are excluded.

In the early 1980s, microfinance served as help for starting informal self-help groups (SHG) to access the much-needed savings and credit services. However, this microfinance sector has evolved rapidly and has established itself as a significant financial institution. The fact that national bodies such as Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD) are devoting significant time, energy and financial resources on microfinance is an indication of the reckoning of the sector. The strength of the microfinance organisations (MFOs) in India is in the diversity of approaches and forms. However, in spite of India having its home-grown model of SHGs and mutually aided co-operative societies (MACS), microfinance experiments from across the world, particularly Bangladesh, Indonesia, Thailand and Bolivia, can also serve as a learning platform.

The SHG–Bank Linkage Programme can be considered as one of the most successful initiatives since Independence. This programme has helped to deliver financial services to the poor in a sustainable manner. However, the distribution of the SHG–Bank Linkage Programme in different regions is inadequate and uneven, with a major chunk of credit linkage benefitting the southern states. Furthermore, several states with high incidence of poverty have performed poorly under the programme. NABARD has recognised 13 states with a large population of the poor but with low performance in implementation of the programme. Nevertheless, all efforts of NABARD to upscale the programme in the identified states need to be given a fresh impetus. The Committee has recommended NABARD to open dedicated project offices in the identified thirteen states. These offices should primarily focus on improving the reach ability of the SHG–Bank Linkage Programme. NGOs have cooperated commendably for promoting SHGs and linking them with banks. However, NGOs are usually local initiators and have low resources; therefore, they do not have the appropriate resources to expand in other areas and regions. Consequently, there is a need to evolve an incentive package, which should motivate these NGOs to diversify into other backward areas. It is now 15 years since the SHG–Bank Linkage Programme was initiated. Currently, there are numerous SHGs in the country with well-established savings and credit operations. Such organizations aspire to expand and diversify their activities in order to attain economies of scale. Most groups are organising themselves into federations and similar higher level structures. In Assam, the Assam Gramin Vikash Bank has been the forerunner in the uplifting of the socio-economic status of the rural population of the state. This bank is a Regional Rural Bank of the State and has been aggressively striving with its untiring efforts since its inception in 2005. (AGVBBARTA).

However, for availing microfinance, different obstacles hinder the empowerment of the poor through Microfinance. **Sharma (2000)** found that group members faced the problems of maintenance of records and accounts, with 100 per cent of members not participating in group activities, and difficulty to contact NGO even in when in need.

It was also noticed that only the availability of credit did not enable group members to establish microenterprises on their own. Interventions by the government were also considered essential (**Ojha 2001**). Furthermore, **Bakshiet al. (2004)** observed that more than 90% of the rural women in India were unskilled; this restricted them to low paid jobs. In addition, they acknowledged that women generally have no control over land and other assets, thereby excluding them from access to institutional credit and rendering them dependent upon high cost informal sources of credit to secure capital for consumption and or productive purposes. **NABARD (1999)** conducted studies on SHGs in Madhya Pradesh and reported that withdrawal of members from the group, lack of adequate group dynamism and peer pressure were some of the problematic areas for the SHGs.

The major hitches expressed by women were lack of transportation, competition from established brands and lack of capital (Rao, 2005). Kumar *et al.* (2011) noted several obstacles faced by SHGs, which included harassment during opening of bank account, marketing problems, lack of training and competition from multinational corporations.

Incorporating All These Views, this Study was Planned Bearing in Mind the Following Objectives

- To unearth the difficulties perceived by the respondents (SHG members) when availing and utilizing microfinance and
- To analyze the effectuality of Assam Gramin Vikash Bank in disbursing microfinance in Assam.

METHODOLOGY

This study concentrates on the problems faced by SHG members. These problems have been operational zed as the hitches and barriers faced by the women SHG members when availing microfinance. The microfinance was efficiently borrowed by them; however, effectuality, it was an operational efficient disbursement strategy of the Bank to harness the increasing saving propensity of the beneficiaries through its microfinance .On the basis of pretesting, consultation with experts and literature review, nine problems were identified as important criteria for availing and utilizing microfinance. The respondents were requested to rank the problems as perceived major by them. Ranks were giving from I to IX. Only one rank per item was permitted. Finally, Garrett Ranking Analysis was applied to identify the major problems.

To determine the most significant factor having an impact on the respondent, Garrett's ranking technique was used. In this method, respondents were requested to allocate a rank to each factor. In the aftermath of such ranking, the ranks were converted into scores using the following formula:

$$\text{Percent Position} = 100 (R_{ij} - 0.5) / N_j$$

Where R_{ij} = Rank given for the i^{th} variable by j^{th} respondents and N_j = Number of variable ranked by j^{th} respondents.

RESULTS

Using the Garrett's Table, the percent position estimated is converted into scores. Thereafter, for each factor, the scores of each individual are summed up, followed by calculation of the total value of scores and mean value of score.

The challenges for the respondents availing and utilizing microfinance of the Assam Gramin Vikash Bank

Table 1: The Challenges for the Respondents Availing and Utilizing Microfinance Provided by the Assam Gramin vikash Bank

Problem	Garrett Score	Rank
Conflicts among members	94	I
Lack of knowledge on ledger book maintenance	93	II
Inability to catch market	92	III
Lack of family support	89	IV
Low educational level	68	V
Lack of technical knowledge	51	VI
Credit gap	46	VII
Monopolistic power of bank	15	VIII

As listed in the aforementioned table, conflicts among members was noted as the fore most problem, with the highest Garrett score (94). As resolving measures, behavioural training, counselling, etc. should be ensued. The next chief problem was the lack of knowledge on ledger book maintenance, with a Garrett score of 93). This problem can be easily rectified by the bank officials by providing training to the SHG members on how to maintain a ledger book. Failure to catch market trends was another major problem perceived by the respondents (Garrett score: 92); measures to eliminate this problem included the establishment of cooperative local market in the rural areas. Lack of family support is another problem perceived by the respondents (Garrett score: 89). This impact was mainly because women were expected to give the first preference to their family. However, low educational level, lack of technical knowledge, credit gap and monopolistic power of bank were perceived as non-problematic by the respondents.

CONCLUSIONS

The noteworthy work of the Assam Gramin Vikash Bank for the distribution of microfinance to the SHG beneficiaries of Assam has been highlighted through this study. The minimum credit gap policy of the bank was noted to assist women SHGs to improve their financial situation. Nevertheless, most women were not competent on ledger book maintenance, and this put the respondents at a disadvantage while book keeping. In addition, the women lacked the ability to decipher market trends. This was another important problem that proved to be an obstacle to commercial profit by the respondents. For the respondents with low educational qualification, utilizing microfinance in areas that produce quick income was problematic.

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